

SEVERANCE TAX AMENDMENTS

2008 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Dougall

Senate Sponsor: _____

LONG TITLE**Committee Note:**

The Revenue and Taxation Interim Committee recommended this bill.

The Utah Tax Review Commission recommended this bill.

Membership: 6 legislators 10 non-legislators

Legislative Vote: 6 voting for 0 voting against 0 absent

General Description:

This bill provides for the disposition of certain revenues from severance taxes.

Highlighted Provisions:

This bill:

- ▶ provides that certain severance tax revenues that exceed a base amount are deposited into the permanent state trust fund or Severance Tax Holding Account;
- ▶ provides that the Division of Finance increase or decrease the base amount for inflation;
- ▶ defines terms; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect on July 1, 2008.

Utah Code Sections Affected:

AMENDS:

59-5-115, as last amended by Laws of Utah 1996, Chapter 135

59-5-215, as enacted by Laws of Utah 1988, Chapter 4

63-97a-102, as enacted by Laws of Utah 2007, Chapter 384

63-97a-201, as enacted by Laws of Utah 2007, Chapter 384

63-97a-202, as enacted by Laws of Utah 2007, Chapter 384

ENACTS:

63-97a-103, Utah Code Annotated 1953

63-97a-301, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **59-5-115** is amended to read:

59-5-115. Disposition of taxes collected -- Credit to General Fund.

All taxes imposed and collected under Section 59-5-102 shall be paid to the commission, ~~and~~ promptly remitted to the state treasurer, and except those taxes otherwise allocated under Section 59-5-116, ~~or~~ 59-5-119, or 63-97a-301, credited to the General Fund.

Section 2. Section **59-5-215** is amended to read:

59-5-215. Disposition of taxes collected -- Credit to General Fund.

All taxes imposed and collected under Section 59-5-202 shall be paid to the commission, ~~and~~ promptly remitted to the state treasurer, ~~to be~~ and except those taxes otherwise allocated under Section 63-97a-301, credited to the General Fund.

Section 3. Section **63-97a-102** is amended to read:

63-97a-102. Definitions.

As used in this chapter:

(1) "Infrastructure and Economic Diversification Investment Account" means the Infrastructure and Economic Diversification Investment Account created in Section 63-97a-201.

(2) "Mining base amount" means:

(a) \$6,000,000 for fiscal year 2008-09; and

(b) for each fiscal year beginning on or after July 1, 2009, the amount determined by the Division of Finance as described in Section 63-97a-103.

(3) "Oil and gas base amount" means:

(a) \$35,000,000 for fiscal year 2008-09; and

(b) for each year beginning on or after July 1, 2009, the amount determined by the Division of Finance as described in Section 63-97a-103.

~~[(2)]~~ (4) "Permanent state trust fund" means the permanent state trust fund created under Utah Constitution Article XXII, Section 4.

~~[(3)]~~ (5) "Severance Tax Holding Account" means the Severance Tax Holding Account created in Section 63-97a-202.

Section 4. Section **63-97a-103** is enacted to read:

63-97a-103. Base amount calculation using the consumer price index.

(1) For purposes of this section, "consumer price index" means the Consumer Price Index for All Urban Consumers as published by the Bureau of Labor Statistics of the United States Department of Labor.

(2) For each fiscal year beginning on or after July 1, 2009, the Division of Finance shall increase or decrease the base amounts described in Subsections 63-97a-102(2) and (3) by a percentage equal to the percentage difference between the average consumer price index for the preceding fiscal year and the average consumer price index for fiscal year 2007-08.

(3) For purposes of Subsection (2), the Division of Finance shall calculate the average consumer price index for a fiscal year by averaging the consumer price index increase or decrease for each of the 12 months in a fiscal year.

Section 5. Section **63-97a-201** is amended to read:

63-97a-201. Creation of Infrastructure and Economic Diversification Investment Account.

(1) (a) There is created a restricted account within the General Fund known as the "Infrastructure and Economic Diversification Investment Account."

(b) The Infrastructure and Economic Diversification Investment Account shall consist of:

(i) all monies credited to the account under Section ~~[63-97a-202]~~ 63-97a-301;

(ii) appropriations from the Legislature;

(iii) grants from private foundations; and

(iv) interest and investment earnings on account monies.

(2) (a) The Infrastructure and Economic Diversification Investment Account shall earn interest.

(b) All interest earned on monies in the Infrastructure and Economic Diversification Investment Account shall be deposited into the Infrastructure and Economic Diversification Investment Account.

(3) The Legislature may appropriate monies from the Infrastructure and Economic Diversification Investment Account for infrastructure and economic diversification investment projects.

Section 6. Section **63-97a-202** is amended to read:

63-97a-202. Creation of Severance Tax Holding Account -- Distribution of funds in the account.

(1) (a) There is created a restricted account within the General Fund known as the "Severance Tax Holding Account."

(b) The Severance Tax Holding Account shall consist of:

(i) appropriations from the Legislature;

(ii) grants from private foundations; ~~and~~

(iii) interest and investment earnings on Severance Tax Holding Account monies[-];
and

(iv) all monies credited to the Severance Tax Holding Account under Section 63-97a-301.

(2) (a) The Severance Tax Holding Account shall earn interest.

(b) All interest earned on monies in the Severance Tax Holding Account shall be deposited into the Severance Tax Holding Account.

(3) If authorized by law the Division of Finance shall deposit all of the monies in the Severance Tax Holding Account as of June 30, 2009, into the permanent state trust fund.

~~[(4) The state treasurer shall invest and separately account for the earnings on funds that are deposited into the permanent state trust fund under this section.]~~

~~[(5) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and dividends earned annually on revenue from severance taxes that are deposited into the permanent state trust fund shall be deposited in the General Fund.]~~

~~[(b) Interest and dividends earned on revenue from severance taxes that are deposited~~

in the General Fund pursuant to Subsection (5)(a) shall be credited to the Infrastructure and Economic Diversification Investment Account created in Section 63-97a-201.]

Section 7. Section **63-97a-301** is enacted to read:

63-97a-301. Crediting of certain severance tax revenues to the permanent state trust fund and the Severance Tax Holding Account.

(1) (a) After making the distributions of oil and gas severance tax revenues as required under Sections 59-5-116 and 59-5-119, the Division of Finance shall make the distributions required under Subsections (2) through (7).

(b) For purposes of this section, revenue collected from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, does not include revenue that is distributed under Section 59-5-116 or 59-5-119.

(2) (a) Beginning on July 1, 2008 and ending on December 31, 2008, the Division of Finance shall credit to the Severance Tax Holding Account all revenue from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, collected during that time period that exceed the oil and gas base amount.

(b) Beginning on January 1, 2009 and ending on June 30, 2009, if authorized by law, the Division of Finance shall credit to the permanent state trust fund an amount equal to the difference between:

(i) all revenue from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, collected in fiscal year 2008-09 that exceed the oil and gas base amount; and

(ii) the amount of revenue credited to the Severance Tax Holding Account under Subsection (2)(a).

(3) Beginning on July 1, 2009, if authorized by law, the Division of Finance shall credit to the permanent state trust fund all revenue collected in a fiscal year from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed the oil and gas base amount.

(4) (a) Beginning on July 1, 2008 and ending on December 31, 2008, the Division of Finance shall credit to the Severance Tax Holding Account all revenue from severance taxes on mining imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, collected during that time period that exceed the mining base amount.

152 (b) Beginning on January 1, 2009 and ending on June 30, 2009, if authorized by law,
153 the Division of Finance shall credit to the permanent state trust fund an amount equal to the
154 difference between:

155 (i) all revenue from severance taxes on mining imposed under Title 59, Chapter 5,
156 Severance Tax on Oil, Gas, and Mining, collected in fiscal year 2008-09 that exceed the
157 mining base amount; and

158 (ii) the amount of revenue credited to the Severance Tax Holding Account under
159 Subsection (4)(a).

160 (5) Beginning on July 1, 2009, if authorized by law, the Division of Finance shall
161 credit to the permanent state trust fund all revenue collected in a fiscal year from severance
162 taxes on mining imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining,
163 that exceed the mining base amount.

164 (6) The state treasurer shall invest and separately account for the earnings on funds that
165 are deposited into the permanent state trust fund under this section.

166 (7) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and
167 dividends earned annually on revenue from severance taxes that are deposited into the
168 permanent state trust fund shall be deposited in the General Fund.

169 (b) Interest and dividends earned on revenue from severance taxes that are deposited in
170 the General Fund pursuant to Subsection (7)(a) shall be credited to the Infrastructure and
171 Economic Diversification Investment Account created in Section 63-97a-201.

172 Section 8. **Effective date.**

173 This bill takes effect on July 1, 2008.

Legislative Review Note
as of 11-15-07 7:53 AM

Office of Legislative Research and General Counsel

H.B. 58 - Severance Tax Amendments

Fiscal Note

2008 General Session

State of Utah

State Impact

Passage of this bill could reduce the General Fund by \$57,600,000 annually. There will be a corresponding increase in restricted revenue.

	<u>FY 2008 Approp.</u>	<u>FY 2009 Approp.</u>	<u>FY 2010 Approp.</u>	<u>FY 2008 Revenue</u>	<u>FY 2009 Revenue</u>	<u>FY 2010 Revenue</u>
General Fund	\$0	\$0	\$0	\$0	(\$57,600,000)	(\$57,600,000)
Restricted Funds	\$0	\$0	\$0	\$0	\$57,600,000	\$57,600,000
Total	\$0	\$0	\$0	\$0	\$0	\$0

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.